

The strategy of unrelated diversification on the example of xerox

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Xerox Corporation is a multinational document management firm involved in the production and selling of printing related products and other services. It was founded in 1906 and produced the first plain paper photocopier and became one of the leading manufacturers and suppliers of document management products and services. Its breakthrough during recent times came during the 1990s when the company started to refocus and especially went on to redevelop its focus on product orientation. It was also during this period that the firm has seriously started to look for expanding into other related and unrelated businesses.

Historically, Xerox has been a hard copy company means it supplied products and services which were related with hardcopy, however, over the period, it has opted out of this business segment and is now also generating revenue from the non-hardcopy business segment. This unrelated diversification, therefore, has allowed the firm to increase its revenue and profitability.

It is, however, important to understand that unrelated diversification can benefit the firm it has the requisite expertise in management to strengthen the business. If management does not have the expertise and skill to support new business, it may become relatively unsuccessful and risky to engage in unrelated diversification activities.

Xerox has ventured into the financial services industry also which was a completely different business line than its traditional business. It, however, failed to sustain the business and was forced to divest from this due to a lack of knowledge and expertise to manage this business independently.

(Business Week). Not having relevant skills and knowledge to manage a

business that does not fall into the domain of senior managers, therefore, may be one of the key risks faced by firms like Xerox.

Over some time, Xerox has changed its orientation and has now become more of a service provider rather than a solution and service provider. It has acquired a business which operates into outsourcing and service provider of document management services.